

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 NEAE-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-15 AGR-20 AF-10 STR-08

CEA-02 INT-08 SCEM-02 RSR-01 (ADP) W
----- 094261

P R 301449Z JUL 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 4510

INFO AMCONSUL DHAHRAN

AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 3220

STATE PASS USINT CAIRO

EO 11652: GDS

TAGS: EFIN, SA

SUBJECT: ANNOUNCEMENT OF NEW SAUDI BUDGET

BEGIN UNCLASSIFIED: SUMMARY. SAUDI BUDGET FOR AUG. 73-
JULY 74 (SAUDI FY 1393-94) SET AT 22.8 BILLION SAUDI RIYALS
(\$6.2 BILLION), INCREASE OF NEARLY 70 PERCENT OVER LAST YEAR'S
BUDGET. SPECULATION THAT THE RIYAL WOULD BE REAVLUED
(MOST OBSERVERS THOUGHT SIMULTANEOUSLY WITH RELEASE NEW
BUDGET) HAS NOT COMPLETELY ABATED, AND LOCAL BANKS ARE
STILL RELUCTANT BUY LARGE AMOUNTS OF DOLLARS. END SUMMARY.

1. NEW SAUDI BUDGET ANNOUNCED JULY 29, A
WHOPPING 22.8 BILLION SAUDI RIYALS, WAS CONSIDERABLY HIGHER
THAN ANTICIPATED. A BREAKDOWN OF ANTICIPATED REVENUE
TOTALS FOR UPCOMING FY REVEALS SAG EXPECTS REVEIVE
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21.11 BILLION SAUDI RIYALS FROM OIL REVENUES (OR 92.5

PERCENT OF TOTAL REVENUES), A 9 BILLION SR INCREASE (74.5 PERCENT) OVER PAST FY'S OIL INCOME RECEIPTS. OTHER REVENUES, AMOUNTING TO 1.7 BILLION SR INCREASED 53.4 PERCENT OVER PAST YEAR.

2. AS HAD BEEN PREDICTED, GOVERNMENT SALARIES, BOTH CIVILIAN AND MILITARY, ARE BEING INCREASED MINIMUM OF 15 PERCENT UP TO NEARLY 50 PERCENT FOR LOWEST WAGE EARNERS, WHICH WILL COST NEARLY 700 MILLION SR. THIS MEASURE PRIMARILY DESIGNED OFFSET INCREASING INFLATION.

3. BUDGET'S CHAPTER FOUR, DEVELOPMENT PROJECTS, ROSE TO 14.26 BILLION SR (INCREASE OF 112 PERCENT OVER APPROPRIATIONS FOR LAST FY AND A TOTAL OF 62.5 PERCENT OF ENTIRE BUDGET.) BY CONTRAST, REMAINDER OF BUDGET, DIVIDED BETWEEN SALARIES, ADMINISTRATIVE COSTS, PUBLIC SERVICES, AND SAUDI FOREIGN AID SUBSIDIES, ROSE ONLY 23 PERCENT OVER LAST YEAR.

4. MINISTRY OF DEFENSE AND AVIATION (MODA) APPROPRIATIONS, AT 5.4 BILLION, AND PROJECTED NATIONAL GUARD EXPENDITURES AT 650 MILLION, TOGETHER TOTAL JUST UNDER 27 PERCENT OF TOTAL, A SUBSTANTIAL INCREASE FROM LAST YEAR'S 3.5 BILLION FOR MODA AND 400 MILLION SR FOR NATIONAL GUARD. HOWEVER, DEFENSE APPROPRIATIONS REPRESENTED ONLY 27 PERCENT OF TOTAL BUDGET, DOWN FROM LAST YEAR'S 30 PERCENT.

5. EVERY MINISTRY SHOWS NET CASH INCREASE. MOST SIGNIFICANT INCREASES INCLUDED MINISTRY OF INTERIOR, AND ITS MUNICIPAL AFFAIRS BRANCH, WHICH TOGETHER WILL GET 3.2 BILLION SAUDI RIYALS THIS YEAR (INCREASE OF OVER 75 PERCENT FROM LAST YEAR'S TOTAL OF 1.86 BILLION SAUDI RIYALS) AND EDUCATION BUDGET, WHICH RISES ABOUT 45 PERCENT TO 1.95 BILLION SR, QUARTER OF WHICH IS ALLOTTED FOR GIRLS' EDUCATION.

6. PLANNED EXPENDITURES FOR ROADS AND PORTS IN MINISTRY OF COMMUNICATIONS BUDGET HAVE INCREASED BY NEARLY 80

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PERCENT TO 1.8 BILLION SAUDI RIYALS FOR THE UPCOMING FISCAL YEAR. MINISTRY OF AGRICULTURE AND WATER'S BUDGET GROWS TO SLIGHTLY OVER ONE BILLION RIYALS, AN INCREASE OF ABOUT 45 PERCENT FROM LAST YEAR'S FIGURES. SAG'S ALLOTMENT FOR ISLAMIC AFFAIRS MORE THAN DOUBLED TO 50 MILLION SAUDI RIYALS, WHILE ITS "SUBSIDIES FOR ARAB SUPPORT" (KHARTOUM PAYMENTS TO JORDAN AND EGYPT) REMAIN STABLE AT 660 MILLION. BUDGET INCLUDED "GENERAL

RESERVE" OF 452 MILLION SAUDI RIYALS, 433 MILLION AS SUBSIDIES FOR PUBLIC CORPORATIONS, AND 800 MILLION (VS. ONLY 60 MILLION LAST YEAR) FOR "EMERGENCY" EXPENDITURES. SIGNIFICANTLY, FOR THIRD STRAIGHT YEAR, "SPECIAL TREASURY", WHICH COVERS PRIVATE ALLOWANCES TO SA'UD ROYAL FAMILY, REMAINED STABLE AT 173 MILLION SAUDI RIYALS.

7. "APPROPRIATIONS FOR PUBLIC INVESTMENT FUND (I.E. PUBLIC CORPORATION CAPITALIZATION) AND PETROLEUM PARTICIPATION," WHICH LAST YEAR WAS 250 MILLION RIYALS, ROSE TO OVER 2 1/2 BILLION, VAST BULK OF THIS TEN-FOLD INCREASE PRESUMABLY EARMARKED COVER THIS YEAR'S SHARE SAG'S PARTICIPATION COSTS WITH ARAMCO. END UNCLASSIFIED. BEGIN CONFIDENTIAL.

8. COMMENT. NEW BUDGET'S INCREASE OF NEARLY 70 PERCENT WAS CONSIDERABLY HIGHER THAN MOST OBSERVERS HAD ANTICIPATED. MERE SIZE, TOGETHER WITH LARGE INCREASE IN GOVERNMENT SALARIES, SHOULD BE ENOUGH TO HEAD OFF SPECULATION THAT RIYAL MIGHT BE REVALUED. NONETHELESS, JIDDA BANKS AS OF MORNING JULY 30, ARE STILL ONLY BUYING SMALL AMOUNTS OF DOLLARS AT PRE-SPECULATION PRICE OF 3.71-3.72 RIYALS PER DOLLAR. FNCB BELIEVES REVALUATION WILL NOT TAKE PLACE, BUT STILL FINDS NO MARKET FOR DOLLARS. DUTCH BANK, ALTHOUGH IT THINKS REVALUATION IS NOT LIELY TO TAKE PLACE NOW, STILL BELIEVES IT MAY SUBSEQUENTLY OCCUR.

NOTE BY OC/T: NOT PASSED USINT CAIRO.

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ACTION NEA-12

INFO OCT-01 ADP-00 NEAE-00 AID-20 CIAE-00 COME-00 EB-11

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NSC-10 PA-03 PRS-01 SS-15 USIA-15 AGR-20 AF-10 STR-08

CEA-02 INT-08 SCEM-02 RSR-01 (ADP) W

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P R 301449Z JUL 73
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 4511
INFO AMCONSUL DHAHRAN
AMEMBASSY BEIRUT
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 3220

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9. MASSIVE INCREASE IN ALLOTMENTS FOR CAPITAL INVEST-
MENT (DEVELOPMENT) PROJECTS TO AN AMOUNT HIGHER THAN
LAST YEAR'S ENTIRE BUDGET ON SURFACE WOULD APPEAR RE-
PRESENT NO SMALL CONFIDENCE ON PART OF SAUDI PLANNERS
AND ADMINSTRATORS IN EFFICIENCY SAG MINISTRIES. PREVIOUSLY,
SAG HAS MANAGED TO SPEND ONLY SLIGHTLY OVER 60 PERCENT
OF TOTAL DEVELOPMENT ALLOCATIONS. (EMBASSY UNDERSTANDS
SPENDING THIS PAST YEAR IS ABOUT AVERAGE.) THUS, EVEN
TO MAINTAIN ITS CURRENT LESS THAN TOTALLY SATISFACTORY
IMPLEMENTATION OF DEVELOPMENT PROJECTS, SAG MINSITRIES
IN NEW FY WOULD HAVE TO MORE THAN DOUBLE THEIR ACTIVITIES,
A DOUBTFUL PROSPECT.

10. EMBASSY BELIEVES, HOWEVER, WITH OIL REVENUES ROLLING
IN, KEY SAG OFFICIALS MAY HAVE FELT IT NECESSARY TO PRE-
PARE A BUDGET WHICH SHOWS CONSIDERABLE SPENDING OF THESE
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VASTLY INCREASED REVENUES AND DOES NOT, ACCORDINGLY,
ANTICIPATE LARGE RESERVE BUILDUP MOST FOREIGN OB-
SERVERS BELIEVE MUST OCCUR. BY PROJECTING A BUDGET AS LARGE
AS THIS, PERHAPS SAG THINKS IT ABLE FORESTALL SOMEWHAT
DECISIONS ON INVESTMENTS OF RESERVES WHILE AT SAME TIME
REDUCING AMMUNITION OF RADICAL ARABS PRONE TO CRITICIZE
SAG FOR PRODUCING OIL AT CONVENIENCE OF WEST, REVENUES FROM WHICH
SAG CANNOT SPEND. IF, HOWEVER, SAG COULD SPEND
ENORMOUS AMOUNTS AS BUDGETED, THEN THERE WOULD BE GREATER
RATIONALE FOR CONTINUED OIL EXPANSION PROGRAM.
THACHER

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